

Message Text

PAGE 01 MANILA 12890 01 OF 02 160932Z

13

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

COA-02 L-03 H-03 PA-04 PRS-01 USIA-15 NEA-10 IO-14

AGR-20 DRC-01 /201 W

----- 010914

P 160816Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9216

INFO AMEMBASSY JAKARTA PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 12890

USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 2/28/74

TAGS: EAID, EFIN, ID

SUBJ: PROPOSED ADB LOAN FOR IRIAN J-1 FISHERIES PROJECT IN
INDONESIA

SUMMARY: ADB MANAGEMENT PROPOSES TWO LOANS TOTALLING
\$7.90 MILLION TO GOVT OF INDONESIA (GOI) OF WHICH
\$2.75 MILLION EQUIVALENT WOULD BE FROM ORDINARY CAPITAL
RESOURCES AND \$5.15 MILLION FROM SPECIAL FUNDS RESOURCES,
TO FINANCE FOREX COST OF NEW FISHERIES PROJECT IN
SORONG, IRIAN JAYA (WEST IRIAN). PROJECT INCLUDES
MARINE DIESEL ENGINES FOR FLEET OF FISHING BOATS;
REFRIGERATION AND ICE PLANT EQUIPMENT; TWO REFRIGERATED
FISH CARRIERS; CONSTRUCTION OF JETTY, WORKSHOP, HOUSING
AND AUXILIARY FACILITIES; AND CONSULTANT SERVICES. USADB
RECOMMENDS FAVORABLE NAC ACTION, END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 12890 01 OF 02 160932Z

1. ADB DOC R95-73 WITH ATTACHMENTS DESCRIBING PROPOSED
LOANS POUCHED ADDRESSEES NOV 14. BOARD CONSIDERATION
SCHEDULED DEC 4.

2. ADB MANAGEMENT PROPOSING BLENDING OF LOANS OF \$2.75 MILLION FROM ORDINARY CAPITAL AND \$5.15 MILLION FROM SPECIAL FUNDS RESOURCES (TOTAL OF \$7.90 MILLION) TO INDONESIA. PROCEEDS WILL FINANCE FOREX COSTS OF PROVIDING MARINE DIESEL ENGINES, RELATED ACCESSORIES FOR THIRTY SKIPJACK POLE-LINERS AND SIX BAIT FISHING BOATS; TWO REFRIGERATED FISH CARRIERS; EQUIPMENT AND MATERIALS INCLUDING POWER UNITS FOR A REFRIGERATION AND ICE PLANT COMPLES; CONSTRUCTION OF A JETTY, REPAIR WORKSHOP WITH SLIPWAY; WORKER HOUSING AND AUXILIARY FACILITIES; ALSO CONSULTANT SERVICES TO ADVISE ON ESTABLISHMENT NEW AGENCY TO IMPLEMENT PROJECT, INCLUDING MANAGEMENT, FINANCIAL AND TECHNICAL SERVICES. PROPOSED TERMS ARE (A) 21 YEARS AMORTIZATION INCLUDING 5 YEAR GRACE PERIOD AT 7 1/2 PERCENT INTEREST FOR ORDINARY CAPITAL LOAN, AND (B) 40 YEARS AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD AT AN INTEREST RATE OF 1 PERCENT PER ANNUM FOR SPECIAL FUNDS LOAN. RE-PAYMENT OF PRINCIPAL OF THE SPECIAL FUNDS LOAN WILL BE AT 2 PERCENT PER YEAR FROM THE 11TH TO THE 20TH YEAR AND 4 PERCENT PER YEAR THEREAFTER (THE PROPOSED BLEND OF LOANS YIELDS A GRANT ELEMENT OF 59.5 PERCENT). REPUBLIC OF INDONESIA TO BE BORROWER AND PERSEROAN TERBATAS (PT) USAHA MINA TO BE EXECUTING AGENCY.

3. THE PROJECT IS DESIGNED TO EXPLOIT THE CONSIDERABLE MARINE FISHERIES RESOURCES OF INDONESIA BY ESTABLISHING A CHAIN OF OPERATIONS FOR CATCHING OF SKIPJACK; PRESERVING THE CATCH IN COLD STORAGE; AND THEN EXPORTING IT IN REFRIGERATED CARRIERS TO EXPORT MARKETS. THIS EXPORT POTENTIAL IS CURRENTLY LIMITED BY EMPLOYMENT OF TRADITIONAL FISHING METHODS, LACK OF SUITABLE VESSELS AND SHORE FACILITIES. MARKET ANALYSIS HAS ESTABLISHED LARGE UNSATISFIED DEMAND FOR SKIPJACK TUNA IN AMERICAN SAMOA AND/OR JAPAN. THIS PROJECT EXPECTED PRODUCE A CATCH OF ABOUT 8600 METRIC TONS PER YEAR WHICH ESTIMATED TO GENERATE AN INFLOW OF FOREX EQUIVALENT TO \$4.2 MILLION PER YEAR
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 MANILA 12890 01 OF 02 160932Z

WITH EFFECT FROM FIRST FULL YEAR OF PROJECT OPERATIONS.

4. THE PROPOSED PROJECT LOCATION IS IN A REMOTE, SPARSELY-POPULATED PORTION OF INDONESIA SITUATED IN A TROPICAL OCEANIC ZONE VERY FAVORABLE FOR FISHING. VARIOUS AGENCIES AND MARINE BIOLOGISTS HAVE ASSESSED PACIFIC OCEAN SKIPJACK RESOURCES AND CONFIRMED ABUNDANT SUPPLY. SINCE 1964, THE SKIPJACK CATCH OF JAPAN (ACCOUNTING FOR OVER 90 PERCENT OF THE TOTAL CATCH) HAS BEEN AT MEAN LEVEL OF 200,000 METRIC TON/ANNUM. FAO HAS ESTIMATED MAXIMUM SUSTAINABLE CATCH IN THE PACIFIC WOULD BE 650,000 METRIC TONS. THE UN WITH FAO AS EXECUTING AGENCY SURVEYED FISHING GROUNDS IN IRIAN JAYA TERRITORY

TO IDENTIFY BOTH SKIPJACK AND BAIT FISH RESOURCES (SKIPJACK MUST BE CAUGHT BY THE POLE LINE METHOD WITH LIVE BAIT). THE SURVEY IDENTIFIED MOST FEASIBLE LOCATION FOR BOTH SKIPJACK AND BAIT FISH TO BE WESTERN IRIAN JAYA FISHING GROUNDS AROUND GAG ISLAND, NORTH OF WAIGEO AND NORTH OF SORONG AT VARIOUS TIMES OF YEAR. ANNUAL CATCH OF THIRTY GROSS TONS (30 GT) CLASS VESSELS WAS CONSERVATIVELY ESTIMATED TO BE 286 METRIC TONS. PRESENTLY, ESTIMATED 23,000 FISHERMEN IN IRIAN JAYA OPERATE AT SUBSISTENCE LEVEL USING TRADITIONAL METHODS FROM MOSTLY SMALL AND MEDIUM SIZE CANOES, FEW OF WHICH ARE MOTORIZED. FAO-SPONSORED PILOT SKIPJACK POLE-LINING PROJECT QUICKLY TRAINED LOCAL FISHERMEN IN NEW TECHNIQUE TO SKILL LEVELS COMPARABLE TO JAPANESE COMMERCIAL OPERATIONS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 01 MANILA 12890 02 OF 02 160959Z

13

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

COA-02 L-03 H-03 PA-04 PRS-01 USIA-15 NEA-10 IO-14

AGR-20 DRC-01 /201 W

----- 011062

P 160816Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9217

INFO AMEMBASSY JAKARTA PRIORITY

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 12890

5. PROJECT WOULD PROVIDE: (A) CONSTRUCTION OF THIRTY 30 GT CLASS WOODEN SKIPJACK POLE LINERS WITH 150 HP MARINE DIESEL ENGINES AND SIX 5 GT CLASS WOODEN BAIT FISHING BOATS WITH 15 HP MARINE DIESEL ENGINES. (B) CONSTRUCTION OF 1300 TON (-35 DEGREE C) COLD STORAGE; 100 TON (0 DEGREE C) CHILLING ROOM, 50 TON/DAY FREEZER, 30 TON/DAY ICE MAKING PLANT, 300 TON ICE STORAGE, 1250 KW GENERATOR WITH STANDBY UNITS, REPAIR WORKSHOP AND OTHER ELEMENTS. (C) TWO 600 GT CLASS STEEL MADE FISH CARRIERS WITH FISH HOLDING CAPACITY OF MINIMUM 460MT. (D) A JETTY (5 METERS X 120 METERS WITH FRONTAGE OF 5 X 50 METERS). (E) HOUSING ACCOMMODATIONS FOR 450 WORKERS. (F) AUXILIARY FACILITIES INCLUDING 3 VEHICLES, ONE FORKLIFT, TWO RADIO PHONES, ONE 5 TON TRUCK,

WATER FILTERS, STORAGE TANKS, WEIGHING MACHINES AND RELATED EQUIPMENT. GOI HAS ESTABLISHED A NEW EXECUTING AGENCY TO EXECUTE AND OPERATE PROJECT, PERSEROAN TERBATAS (PT) USAHA MINA IN SORONG. PT IS LIMITED LIABILITY COMPANY ESTABLISHED UNDER COMMERCIAL CODE WITH CAPITAL OF RP 1,435.5 SUBSCRIBED WHOLLY BY GOVT. PLAN IS FOR GOVT TO GRADUALLY DISINVEST IN FAVOR OF PRIVATE SECTOR. OVERALL LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 MANILA 12890 02 OF 02 160959Z

SUPERVISION OF EXECUTING AGENCY VESTED IN BOARD OF SUPERVISORS AND BOARD OF MANAGEMENT, FORMER COMPRISED OF 3 MEMBERS APOINTEED BYMINFIN IN CONSULTATION WITH BANK. GOI HAS ACCORDED PRIORITY TO ECONOMIC DEVELOPMENT OF IRIAN JAYA TO BRING LEVEL OF DEVELOPMENT THAT PROVINCE IN HARMONY WITH OTHER REGIONS OF INDONESIA.

6. TOTAL COST OF PROJECT ESTIMATED AT \$11.53 MILLION OF WHICH FOREX COMPONENT OF \$7.9 MILLION IS PROPOSED FOR BANK FINANCING. LOCAL CURRENCY COMPONENT WILL BE FINANCED MOSTLY THROUGH OWNER'S EQUITY (RP 1,435.5 MILLION OUT OF TOTAL LOCAL CURRENCY COST OF RP 1,506.6 MILLION) WITH BALANCE AMOUNT RP 71 MILLION BY BORROWING AT 12 PERCENT INTEREST PER ANNUM FROM STATE BANK. UNDER PROPOSAL, CONSTRUCTION OF WOODEN HULLS FOR FISHING VESSELS WILL BE BY LOCAL BOAT YARDS, CIVIL WORKS FOR REFRIGERATION COMPLEX, HOUSING, WOODEN JETTY AND SLIPWAY TO BE UNDERTAKEN BY LOCAL CONTRACTORS, ALL ON BASIS COMPETITIVE BIDDING IN ACCORD SPECIFICATIONS SATISFACTORY TO BANK AND IN ACCORD WITH BANK'S GUIDELINES FOR PROCUREMENT. SUPPLY CONTRACTS FOR EQUIPMENT AND SERVICES WITH ESTIMATED COSTS OF \$30,000 OR MORE WILL BE CONDUCTED ON BASIS OF INTERNATIONAL COMPETITIVE BIDDING. SUPPLY CONTRACTS FOR EQUIPMENT AND MATERIALS FOR LESS THAN \$30,000 ON BASIS BIDS OR QUOTATIONS FROM MORE THAN ONE ELIGIBLE COUNTRY. PROCEEDS OF LOAN FROM ORDINARY CAPITAL RESOURCES WILL BE USED FOR PROCUREMENT FROM MEMBER COUNTRIES AND LUXEMBOURG. PROCUREMENT FROM PROCEEDS OF SPECIAL FUNDS LOAN WILL BE LIMITED TO ELIGIBLE COUNTRIES SPECIFIED BY BANK. DETAILED DESIGNS AND INSTALLATION OF REFRIGERATION MACHINERY, EQUIPMENT AND INSULATION WORK WILL FORM PART OF SUPPLIER'S CONTRACT FOR REFRIGERATION COMPONENT. CONSULTING SERVICES REQUIRED INCLUDE ONE MANAGEMENT ADVISOR FOR 12 MONTHS, ONE FINANCIAL EXPERT FOR 18 MONTHS, A SHORE FACILITY EXPERT FOR 24 MONTHS, ONE MASTER BOAT BUILDER FOR 10 MONTHS AND ONE MASTER FISHERMAN FOR 12 MONTHS.

7. ALLOCATION OF LOAN COMPONENTS AS FOLLOWS: UNDER SPECIAL FUNDS FOR ELIGIBLE COUNTRY PROCUREMENT ONLY, MARINE ENGINES AND EQUIPMENT WOODEN-HULLED SKIPJACK LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 12890 02 OF 02 160959Z

AND BAIT FISHING VESSELS (\$661,000) AND TWO 600 GT STEEL-HULLED REFRIGERATED FISH CARRIERS (\$3,654,000). PROCUREMENT UNDER ORDINARY CAPITAL RESOURCES (ALL MEMBER COUNTRIES AND LUXEMBOURG ELIGIBLE) INCLUDES SHORE REFRIGERATION COMPLES (\$1,979,000), AUXILIARY EQUIPMENT (TRUCK, JEEPS, RADIO PHONES) (\$61,000) AND CONSULTING SERVICES (\$262,000); UNALLOCATED BALANCES OF \$835,000 (SPECIAL FUNDS) AND \$448,000 (ORDINARY CAPITAL).

8. PT WILL BE EXECUTING AGENCY AND WILL OPERATE PROJECT. PT CONSIDERED SUITABLE AGENCY TO ASSURE FREEDOM TO MANAGEMENT, ABILITY OFFER INCENTIVES ATTRACT AND RETAIN QUALIFIED PERSONNEL. (SIMILAR INSTITUTION ESTABLISHED FOR BANK-FINANCED RIAU FISHERIES PROJECT PERFORMING SATISFACTORILY.) GOVT HAS ASSURED THAT PC WILL FORMULATE POLICY STATEMENT SATISFACTORY TO BANK TO GUIDE PROJECT OPERATION WITHIN TWO YEARS OF COMMENCING IMPLEMENTATION. PROCEEDS OF BANK LOAN WILL BE RELENT TO EXECUTING AGENCY BY BORROWER AT 12 PERCENT INTEREST RATE PER ANNUM PAYABLE IN 18 YEARS WITH GRACE PERIOD OF 4 YEARS.

9. BANK MANAGEMENT CONSIDERS PROJECT TECHNICALLY SOUND AND FINANCIALLY VIABLE. FINANCIAL RATE OF RETURN CALCULATED AT 19.7 PERCENT AND ECONOMIC RATE OF RETURN AT 23.3 PERCENT. BANK MISSION WHICH SURVEYED MARKETING PROSPECTS IN AMERICAN SAMOA AND JAPAN CONSIDERS THAT CANNERIES THERE CAN ABSORB FULL OUTPUT OF PROJECT. PROJECT IS LARGELY EXPORT ORIENTED SINCE SURVEY DISCLOSED LOCAL CONSUMERS PREFER OTHER FISH VARIETIES LOCALLY CAUGHT DESPITE LOWER COST OF SKIPJACK. PROJECT WILL CREATE EMPLOYMENT FOR 559 UNSKILLED AND 276 SKILLED WORKERS THUS HAVING SIGNIFICANT SOCIO-ECONOMIC IMPACT IN AREA. HIGHER INCOMES AND LIVING STANDARDS, HIGHER TRADING/RETAILING WILL STEP UP ECONOMIC ACTIVITY LEVEL IN SORONG AREA. ESTABLISHMENT OF PT TO HAVE INSTITUTION BUILDING ASPECT, IMPROVE MANAGERIAL CAPABILITIES AS WELL AS CREATE SKILLED WORK FORCE. BANK DEVELOPED PROJECT WITH JOINT AGREEMENTS BAPPENAS (NATIONAL PLANNING AGENCY), IBRD AND FAO ON BASIS FAO/IBRD PROJECT IDENTIFICATION AND RESOURCE SURVEY RESULTS. GOI HAS ACCORDED PRIORITY TO ECONOMIC DEVELOPMENT OF IRIAN JAYA, AND TO INCREASING PRODUCTIVE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 12890 02 OF 02 160959Z

CAPACITY OF FISHING INDUSTRY. PROJECT WILL CONTRIBUTE SUBSTANTIALITY TO FOREX EARNINGS CAPABILITY OF GOI. IT WILL FACILITATE NEW TECHNOLOGY THROUGH OPERATION OF MODERN FISHING BOATS, COLD STORAGE FACILITIES AND IMPROVE MARKETING

BY USE OF REFRIGERATED CARRIERS. USADB SUPPORTS PROPOSAL
AND RECOMMENDS FAVORABLE NAC ACTION.

10 REQUEST JAKARTA'S COMMENTS FOR NAC AGENCIES, INFO USADB
MANILA, PURSUANT TO STATE 119795 DTD JULY 3, 1972.
PURNELL

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FISHERIES, TECHNICAL ASSISTANCE, COSTS, BANK LOANS, FOREIGN EXCHANGE, FISHING BOATS, REFRIGERATING EQUIPMENT, CANNERIES, DIESEL ENGINES
Control Number: n/a
Copy: SINGLE
Draft Date: 16 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA12890
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731166/abqcefxr.tel
Line Count: 279
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 23 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Nov-2001 by shawdg>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN FOR IRIAN J-1 FISHERIES PROJECT IN INDONESIA
TAGS: EAID, EFIN, ID, ADB-1
To: STATE INFO JAKARTA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005